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Almost two million homeowners have asked their mortgage provider for a payment holiday, according to figures released by the banking trade body UK Finance.

Since the start of the coronavirus pandemic, banks and building societies have offered customers who are struggling financially a three-month break from their mortgage payments.

Around 1.9 million borrowers have taken advantage of the support scheme, equivalent to one in every six UK homeowners taking a mortgage holiday. The average payment deferred is £755 a month, industry figures have shown.

Now, with many customers reaching the end of their three-month break, lenders are taking further steps to support those who remain in financial trouble.

Customers can request a further three-month payment holiday if they are still suffering major financial problems. In other cases, borrowers will be encouraged to resume repayments if they are able to afford them.

This could also include restarting repayments but at a lower level than before, or temporarily switching to interest-only payments.

Customers who have not yet applied for any form of support are able to do so until the 31st of October 2020, according to guidance issued by the Financial Conduct Authority (FCA). A similar payment freeze has also been offered to credit card and personal loan customers who are struggling financially because of Covid-19 and its economic impact.

Older borrowers

There was further good news for older borrowers as new figures from Moneyfacts, the industry analyst, found that mortgage firms are becoming more open to lending later in life.

It found that of all the residential mortgage deals available, over half are both open to customers aged 55 or over at the point of application and have a maximum age of 75 or above at end of the term.

Equity release: market update

A report into the equity release market by the FCA found that the industry was broadly working well to meet the needs of consumers.

Many over-55s are looking to boost their retirement income or fund home improvements, repairs and adaptations and have turned to lifetime mortgages to achieve this goal.

Jim Boyd of the Equity Release Council, the industry trade body, described the regulator's report as encouraging. However, he encouraged all advisers to ensure that they are giving appropriate advice to homeowners taking out a lifetime mortgage.

Complaints about equity release represented fewer than 2% of complaints made about home finance products last year. Of the 38 complaints made to the Financial Ombudsman Service, only two were upheld by the adjudicator.

In total, 1,541 of the 2,734 mortgages on the market today are available to this group. However, Moneyfacts said that more could be done to tailor mortgages to the needs of homeowners borrowing past their retirement age. Just 147 deals are specifically targeted at older borrowers, it found.

More broadly, there has been a sharp rise in the number of mortgages offering incentives to borrowers since the start of lockdown.

Moneyfacts found that the number of loans offering free or refunded legal fees has increased from 49% of the market in March to 54% in June.

In addition, the number of deals with free or refunded valuations has increased from 71% to 78% in the same timeframe while the proportion of cashback deals has grown from 31% to 33%.

House prices

There is much speculation regarding the impact of Covid-19 on the housing market and prices but, with Land Registry still some way behind in reporting transactions, there is little objective evidence yet.

Anecdotally, there remains applicant and lender appetite to complete on transactions suspended due to Covid-19. This may mean that any price movements are not as significant as some are speculating.

Sources:

<https://www.ukfinance.org.uk/press/press-releases/lenders-grant-over-million-payment-deferrals-to-mortgage-holders-in-three-months>

<https://www.equityreleasecouncil.com/blog/council-responds-to-fca-publication-the-equity-release-sales-and-advice-process-key-findings/>

<https://moneyfacts.co.uk/news/mortgages/over-half-of-all-mortgages-are-available-to-over-55-borrowers/>

<https://moneyfacts.co.uk/news/mortgages/rise-in-percentage-of-deals-in-mortgage-market-offering-incentives/>

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